

*Auditor's Management Report*

*for the*

*Freehold Regional High  
School District*

*in the*

*County of Monmouth  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2017*



**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE  
FINDINGS-FINANCIAL AND COMPLIANCE**

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Freehold Regional High School District  
County of Monmouth  
Englishtown, New Jersey 07726

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Freehold Regional High School District in the County of Monmouth for the year ended June 30, 2017, and have issued our report dated December 2, 2017.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the Freehold Regional High School District, County of Monmouth, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 948

December 2, 2017

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the activities of the Freehold Regional High School District Board of Education, the records of the various funds under the auspices of the Board of Education.

**Administrative Practices and Procedures**

**Insurance**

Insurance coverage was carried in the amounts as detailed in the District's CAFR. (See Exhibit J-20)

**Official Bonds**

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BOND</u>
Sean Boyce	Assistant Superintendent for Business Administration/Board Secretary	\$500,000.00
All Employees	Blanket Position Bond	\$500,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

**Payroll Account**

The net salaries of all employees of the Board were deposited in the Net Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls tested were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the secretary of the board with a warrant made to her order for the full amount of each payroll.

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**Position Control Roster**

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

**Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, 2017 for proper classification of orders as reserve for encumbrances and accounts payable.

**Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2 (g) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to selecting a test sample our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23 A-2.4 As a result of the procedures performed, no exceptions were noted.

**Board Secretary's Records**

The records maintained by the Board Secretary were in satisfactory condition.

**Elementary and Secondary Education Act of 1965 (E.S.E.A.)/Improving America's Schools (IASA) as Reauthorized by the No Child Left Behind Act of 2001**

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Title I, Title II Part A, and Title III of the Elementary and Secondary Education Act.

**Other Special Federal and/or State Projects**

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds, on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**T.P.A.F. Reimbursement**

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. No exceptions were noted.

**SCHOOL PURCHASING PROGRAMS**

**Contracts and Agreements Requiring Advertisement for Bids**

**N.J.S.A. 18A:18A-1, et seq. states:**

"a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$29,000, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefor, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 1971 c. 198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$40,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."



**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

**N.J.S.A. 18A:18A3 States: (Continued)**

"Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this chapter or specifically by any other law."

The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 30A:30A-3(a) and (c) is \$29,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$40,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A: 39-3 is currently \$18,800.00.

The Board appointed Sean Boyce as the Qualified Purchasing Agent and increased the bid threshold to \$40,000.00.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies; the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A.18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A.18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**School Food Service Funds**

The financial transactions and statistical records of the School Food Services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were properly computed and timely filed. Meals claimed agreed with the meal count records tested.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced priced meal policy is uniformly administered throughout the School system. The required verification procedures for free and reduced price applications were completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. The Board is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Cash Receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Service employees authorized by the Board of Education. No exceptions were noted.

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**School Food Service Funds (Continued)**

The school district maintains the detailed revenue and expenditure Information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Food Distribution Program Commodities were received and an inventory was maintained on a first-in, first-out basis. No exceptions were noted

Exhibits reflecting Child Nutrition Program operations are included in Section G of the CAFR.

**Student Body Activities**

The records for the Student Body Activities were maintained in satisfactory condition.

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2015-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

**Facilities and Capital Assets**

Our procedures included a review of the SDA grant agreements for consistency with recording SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for onroll, private schools for the disabled, and low income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

**Testing for Lead of Drinking Water in Educational Facilities**

The school district adhered to the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**FOLLOW-UP ON PRIOR YEAR'S FINDINGS**

Not applicable

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**RECOMMENDATIONS**

**Administrative Practices and Procedures**

None

**Financial Planning, Accounting and Reporting**

None

**School Purchasing Program**

None

**School Food Service**

None

**Student Body Activities**

None

**Application for State School Aid**

None

**Pupil Transportation**

None

**Facilities and Capital Assets**

None

**Testing for Lead of Drinking Water in Educational Facilities**

None

**Prior Year Audit Findings**

None



**FREEHOLD REGIONAL HIGH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool 4 years old												
Half Day Kindergarten												
One												
Two												
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine	163	163	-	39	39	-	12	12	-	9	9	-
Ten	214	214	-	49	49	-	16	16	-	12	12	-
Eleven	201	201	-	46	46	-	16.5	16.5	-	13	13	-
Twelve	197	197	-	45	45	-	7.5	7.5	-	6	6	-
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	775	775	0	179	179	0	52	52	0	40	40	0
Special Ed - Elementary												
Special Ed - Middle												
Special Ed - High												
Subtotal	326.5	326.5	-	75	75	-	1.5	1.5	-	1	1	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	1101.5	1101.5	0	254	254	0	53.5	53.5	0	41	41	0
Percentage Error			0%			0%			0%			0%

**Transportation**

	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 2, 3, 4, 5	6612	6612	0	223	223	-
Reg -Sp.Ed. col. 8, 9, 10	1527	1527	0	52	52	-
Nonpublic Transported, col. 6	766	766	0	26	26	-
Special Ed Spec, col. 1,2,3,6,7,8	354	336	18	11	11	-
Totals	9259	9241	18	312	312	-
Percentage Error			0.19%			0%

Re-Calculated  
Reported 5.9  
Calculated 5.9  
11.1 11.1

Avg. Mileage - Regular Including Grade PK students  
Avg. Mileage - Regular Excluding Grade PK students  
Avg. Mileage - Special Ed with Special Needs

**FREEHOLD REGIONAL HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 14, 2016**

	<b>Resident LEP NOT Low Income</b>			<b>Sample for Verification</b>		
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool 4 years old						
Half Day Kindergarten						
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine	11	11	-	9	9	-
Ten	3	3	-	3	3	-
Eleven	1	1	-	1	1	-
Twelve	1.5	1.5	-	1	1	-
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	16.5	16.5	0	14	14	0
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal	0	0	0	0	0	0
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	16.5	16.5	0	14	14	0
Percentage Error			0%			0%



## EXCESS SURPLUS CALCULATION

### **SECTION 1**

General Fund Expenditures:		\$208,878,544
Fiscal Year Ended June 30, 2017		
Decreased by:		
On-Behalf TPAF Pension & Social Security	21,021,532.00	
Capital Lease	<u>2,511,142.00</u>	
		<u>23,532,674</u>
Adjusted General Fund Expenditures		185,345,870.00
Excess Surplus Percentage		<u>2.00%</u>
Subtotal		3,706,917
Increased by:		
Extraordinary Aid (Unbudgeted)	\$228,002	
Non-Public Transportation Aid (Unbudgeted)	<u>98,512</u>	
		<u>326,514</u>
Maximum Unassigned Fund Balance		<u><u>\$4,033,431</u></u>

### **SECTION 2**

Total General Fund Balance		\$32,775,387
Decreased by:		
Assigned - Year End Encumbrances	\$1,349,084	
Legally Restricted:		
Excess Surplus -Designated for Subsequent Year's Expenditures	10,001,780	
Maintenance Reserve	1,487,666	
Capital Reserve	3,338,420	
Emergency Reserve	252,833	
Assigned fund balance - Designated for Subsequent Year's Expenditures	<u>500,000</u>	
		16,929,783
Total Unassigned fund Balance		<u>15,845,604</u>
Restricted Fund Balance-Excess Surplus		<u><u>\$11,812,173</u></u>

### **SECTION 3**

Recapitulation of Excess Surplus as of June 30, 2017		
Restricted Excess Surplus-Designated for Subsequent Years Expenditures		\$10,001,780
Restricted Excess surplus		<u>11,812,173</u>
Total		<u><u>\$21,813,953</u></u>

**SCHEDULE OF MEAL COUNT ACTIVITY**  
**FREEHOLD REGIONAL HIGH SCHOOL DISTRICT**  
**FOOD SERVICE FUND**

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM- FEDERAL  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE (a)</u>	<u>(OVER) UNDER CLAIM (b)</u>
National School Lunch (Regular Rate)	Paid	273,453	273,453	273,453	0	0.30	0.00
	Reduced	19,751	19,751	19,751	0	2.76	0.00
	Free	97,592	97,592	97,592	0	3.16	0.00
	<b>TOTAL</b>	<b>390,796</b>	<b>390,796</b>	<b>390,796</b>			<b>0.00</b>
National School Lunch	HHFKA	390,796	390,796	390,796	0	0.06	0
School Breakfast (Regular Rate)	Paid	5,209	5,209	5,209	0	0.29	0.00
	Reduced	1,285	1,285	1,285	0	1.41	0.00
	Free	10,161	10,161	10,161	0	1.71	0.00
	<b>TOTAL</b>	<b>16,655</b>	<b>16,655</b>	<b>16,655</b>			<b>0.00</b>
School Breakfast (Severe Rate)	Paid	1,172	1,172	1,172	0	0.29	0.00
	Reduced	717	717	717	0	1.74	0.00
	Free	7,623	7,623	7,623	0	2.04	0.00
	<b>TOTAL</b>	<b>9,512</b>	<b>9,512</b>	<b>9,512</b>			<b>0.00</b>
<b>Total Net Overclaim ( Underclaim)</b>							<b>0.00</b>

FREEHOLD REGIONAL HIGH SCHOOL DISTRICT  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -STATE  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
State Reimbursement - National School Lunch (Regular Rate)	Paid	273,453	273,453	273,453	0	0.040	0.00
State Reimbursement - National School Lunch (Regular Rate)	Reduced	19,751	19,751	19,751	0	0.055	0.00
State Reimbursement - National School Lunch (Regular Rate)	Free	97,592	97,592	97,592	0	0.055	0.00
	TOTAL	<u>390,796</u>	<u>390,796</u>	<u>390,796</u>			
<b>Total Net Overclaim ( Underclaim)</b>							<u><u>0.00</u></u>

**FREEHOLD REGIONAL HIGH SCHOOL DISTRICT  
NET CASH RESOURCE SCHEDULE - FOOD SERVICE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A School Food Authority is required to maintain a nonprofit School Food Service. The nonprofit status of the School Food Service is determined by evaluating net cash resources. Net cash resources may not exceed three months average expenditures.

As Illustrated in the schedule below, the Districts Net Cash Resources (\$643,463.00) do not exceed three months average expenditures (\$948,822.00)

<b><u>Net Cash Resources:</u></b>		<b>Food Service B - 4/5</b>
<b>CAFR</b>	<b>Current Assets*</b>	
B-4	Cash & Cash Equivalents	\$686,804.00
B-4	Accounts Receivable	638,670.00
<b>CAFR</b>	<b>Current Liabilities</b>	
B-4	Less Accruals	(614,156.00)
B-4	Less Unearned Revenue	<u>(67,855.00)</u>
	<b>Net Cash Resources</b>	<b><u><u>\$643,463.00</u></u> (A)</b>
<b><u>Net Adj. Total Operating Expense:</u></b>		
B-5	Tot. Operating Exp.	\$3,201,580.00
B-5	Less Depreciation	<u>(38,840.00)</u>
	Adj. Tot. Oper. Exp.	<b><u><u>\$3,162,740.00</u></u> (B)</b>
<b><u>Average Monthly Operating Expense:</u></b>		
	B / 10	<b><u><u>\$316,274.00</u></u> (C)</b>
<b><u>Three times monthly Average:</u></b>		
	3 X C	<b><u><u>\$948,822.00</u></u> (D)</b>

TOTAL IN BOX A	<u>\$643,463.00</u>	
LESS TOTAL IN BOX D	<u>(\$948,822.00)</u>	
NET	<b><u><u>(\$305,359.00)</u></u></b>	<b>&lt;--- Excess</b>
<b>A is greater than D, cash exceeds 3 X average monthly operating expenses.</b>		
<b>D is greater than A, cash does not exceed 3 X average monthly operating expenses.</b>		

\* Inventories are not to be included in total current assets.



